

**UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

In re:)	
)	Chapter 11
CHESAPEAKE ENERGY CORPORATION,)	Case No. 20-33233 (DRJ)
<i>et al.</i> , ¹)	(Jointly Administered)
)	
Debtors.)	
)	

**RESERVATION OF RIGHTS OF EPSILON ENERGY USA, INC. TO ASSERT
ADMINISTRATIVE EXPENSE CLAIM**

Epsilon Energy USA, Inc. ("Epsilon"), by and through its undersigned counsel, hereby files this reservation of rights to assert an administrative expense claim against Chesapeake Appalachia, L.L.C. ("Chesapeake") for monetary damages (should it become necessary to do) in respect of a contractual dispute between the parties that has arisen post-petition and which is described in further detail below. In support thereof, Epsilon represents as follows:

1. Epsilon and Chesapeake, among others, are party to certain operating agreements ("JOAs") for the exploration and development of oil and gas interests in production units in Susquehanna and Bradford Counties, Pennsylvania.

2. In 2018, a dispute arose between the parties with respect to certain wells that Epsilon proposed and intended to drill. This dispute was the subject of a lawsuit styled as *Epsilon Energy USA, Inc. v. Chesapeake Appalachia, L.L.C.* and filed at Case No. 3:18-cv-01852 in the U.S. District Court for the Middle District of Pennsylvania (the "Lawsuit").

¹ A complete list of each of the Reorganized Debtors in these chapter 11 cases may be obtained on the website of the Reorganized Debtors' claims and noticing agent at <https://dm.epiq11.com/chesapeake>. The location of Reorganized Debtor Chesapeake Energy Corporation's principal place of business and the Reorganized Debtors' service address in these chapter 11 cases is 6100 North Western Avenue, Oklahoma City, Oklahoma 73118.

3. On October 8, 2018, the parties entered into a certain Settlement Agreement and Release (the “Settlement Agreement”) that resolved all issues raised in the Lawsuit.

4. Following Chesapeake’s bankruptcy filing on June 28, 2020, in violation of the JOAs and the Settlement Agreement, Chesapeake refused to cooperate in conjunction with Epsilon’s drilling of certain wells, and has claimed the right to effectively veto the drilling of such wells, in contravention of the terms of the JOAs and the Settlement Agreement.

5. To the extent that Epsilon is forced to seek monetary relief for damages resulting in such refusal by Chesapeake, Epsilon hereby files this reservation of rights ahead of the March 11, 2021 Administrative Claims Bar Date as a protective measure to preserve its ability to do so.

6. Epsilon reserves the right to amend, supplement, withdraw, or otherwise modify this pleading in any manner, including to assert specified monetary damages against Chesapeake for post-petition breaches of the JOAs and Settlement Agreement.

Dated: March 8, 2021

Respectfully submitted,

McGUIREWOODS LLP

/s/ A. Wolfgang McGavran

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Certificate of Service

I certify that on March 8, 2021, I caused a copy of the foregoing document to be served by the Electronic Case Filing System for the United States Bankruptcy Court for the Southern District of Texas.

/s/ A. Wolfgang McGavran
A. Wolfgang McGavran